

# Clearstream Group Remuneration Policy

for

**Clearstream International S.A., Clearstream Banking S.A. and Clearstream Services S.A. (including their subsidiaries, branches and representative offices and excluding entities based in Germany)**

Version 1.0

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## 1 Introduction

### 1.1 Purpose and objectives of the Policy

The Remuneration Policy (“Policy”) is a central element for the implementation of the Remuneration systems within the organisation. The objectives of the Policy are in particular

- to set out the principles governing the Group’s Remuneration systems of Clearstream Holding AG (“Group” or “Clearstream Group”) in the organisational guidelines,
  - to ensure that the Remuneration in all entities of Clearstream Group is in line with the applicable regulations on Remuneration (in particular the Remuneration Ordinance for Institutions (Institutsvergütungsverordnung), dated 16 December 2013 (“InstitutsVergV”), the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (“CRR”), the German Banking Act (Kreditwesengesetz – “KWG”), the Luxembourg law of April 5, 1993 on the financial sector as well Circulars 10/437, 10/496, 11/435 and 15/622 issued by the Commission de Surveillance du Secteur Financier) and is monitored accordingly. As Clearstream Holding AG is subject to German regulations, it is responsible as superordinated company to ensure that all entities of Clearstream Group are compliant with German regulatory requirements.
  - to ensure that the Remuneration is in line with the applicable regulatory requirements pursuant to directive 2013/36/EU of the European Parliament and of the council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (“CRD IV”) and all national remuneration laws and requirements of the jurisdiction where the entity operates,
  - to align the Remuneration systems in all subordinated entities with the objectives set out in the business and risk strategy of Clearstream Group,
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- to inform the members of the Executive Board, Risk Taker and other employees on the applicable rules as well as on their Remuneration system.

The Policy is in line with the Deutsche Börse Group Remuneration principles unless amendments are required under applicable regulatory requirements. Benefits which have no incentive effect with respect to the assumption of risk positions and are granted by means of entity/location-wide, non-discretionary regulations are not in the scope of this Policy.

## 1.2 Ownership

- 1) The Executive Board of Clearstream Holding AG as superordinated company according to the German Banking Act (KWG) is responsible for the implementation of a Clearstream Group wide remuneration policy. The Clearstream Group Remuneration system is implemented according to a cascading process from group level down to entity level. The implementation within the different Clearstream entities is performed by the respective responsible bodies:
    - a. In the two-tier systems, the Supervisory Boards decide on the system for the Members of the Executive Boards. The Executive Boards decide for the employees below.
    - b. In the one-tier systems, the Boards of Directors decide on the system for all employee groups.
  - 2) The Remuneration system set out in this Policy has been elaborated in co-operation with the relevant Clearstream Group's Control Units (i.e. risk management, compliance, internal audit, human resources and Group Compensation Officer and Deputy Group Compensation Officer) taking into account Luxembourg specificities. In particular, representatives of those relevant Control Units participate in the Remuneration Advisory Board which is involved in the decision-making process with respect to the design and development of the Group's Remuneration systems.
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3) A so-called Clearstream Remuneration Committee (“CRC”) has been set up by the Supervisory Board (*Aufsichtsrat*) of Clearstream Holding AG. The CRC, inter alia, deals with remuneration-related matters within the corporate structure of Clearstream International S.A., Clearstream Banking S.A. and Clearstream Services S.A. in accordance with the regulatory requirements. Further details with regard to the CRC, in particular its composition and tasks/responsibilities, are stipulated in the Clearstream Remuneration Committee (CRC) Internal Rules and Regulations.

### **1.3 Group Compensation Officer and Deputy Group Compensation Officer**

The Executive Board of Clearstream Holding AG appoints a Group Compensation Officer (Vergütungsbeauftragter) and a Deputy Group Compensation Officer (stellvertretender Vergütungsbeauftragter) in accordance with sec. 23 InstitutsVergV (“Group Compensation Officer and Deputy Group Compensation Officer”). Amongst other, the Group Compensation Officer – and as the case may be also the Deputy Group Compensation Officer – shall support the CRC supervising and, therefore, fulfilling their responsibilities regarding the monitoring and design of the Group’s Remuneration systems in accordance with the regulatory requirements.

### **1.4 Scope of the Policy**

This Policy provides the applicable framework for the design and implementation of the Remuneration systems for members of the Executive Board, Risk Taker and other employees of Clearstream Group unless there are relevant differences in the business model, the risk profiles or local requirements that justify a difference in individual case.

The senior management/supervisory bodies of the entities carry the responsibility to implement the Remuneration systems and to ensure compliance with specific local requirements. In case national law of the jurisdiction the entity operates in is in conflict with this Policy, compliance within the national jurisdiction of the entity shall be ensured.

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Clearstream Holding AG provides a Blueprint Remuneration Scheme for all subordinated entities in order to achieve group wide consistency of the Remuneration systems with the business and risk strategy of the Clearstream Group.

The Group Compensation Officer shall be consulted in case a Remuneration system which is not compliant with all principles of the Policy or materially deviating from the Blueprint Remuneration Scheme is going to be implemented.

### **1.5 Effective date**

The Policy becomes effective upon approval by the respective decision-making bodies responsible for the respective entities with effect from January 1<sup>st</sup>, 2016 due to regulatory requirements.

This Policy replaces and/or overrules any Remuneration Policies that might have been applicable within the scope of this Policy prior to its enactment.

### **1.6 Regular review process**

The Group Compensation Officer and the Deputy Group Compensation Officer centrally coordinate the review process and independently assess the Policy, the Remuneration system and their practical implementation on a regular basis, at least once a year. The Remuneration Advisory Board (including internal audit) assesses the Policy and the Remuneration system. The Executive Board of Clearstream Holding AG assesses and approves the Policy and the Remuneration system.

## **2 Definitions**

In this Policy

**“Breach of Duty”** means serious infringements of employment or service agreement provisions or culpable breach of internal policies, including violations of risk limits.

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**“Control Units”** mean those organisational units within the Group that monitor organisation units that originate business. These are the back office, risk management, compliance, internal audit, human resources, Group Compensation Officer, Deputy Group Compensation Officer and control sections.

**“Fixed Remuneration”** means the portion of Remuneration which is not Variable Remuneration, i.e. the awarding or amount of which is not at the Group’s discretion and is not dependent on the occurrence of agreed conditions.

**“Instrument”** means the Share-based Remuneration granted under the respective Terms and Conditions as applicable from time to time.

**“Members of the Executive Board”** means the members of the management body in its management function.

**“Negative Performance Contributions”** mean (i) falling short of targets, (ii) misbehaviour or (iii) any other risks or errors resulting in a downturn of the financial and/or operational performance in each case taking into account the underlying performance of the institution as a whole and the business area in which the respective member of the Executive Board, Risk Taker or other employee is performing his/her duties in.

**“Remuneration”** means all monetary or monetarily measurable ancillary benefits of any kind as well as benefits from the Group or third parties that the member of the Executive Board, Risk Taker or other employee receives in performance of their professional duties within the Group; monetary or monetarily measurable ancillary benefits which have no incentive effect with respect to the assumption of risk positions, such as, for example, discounts, collective and entity/location insurance and social welfare benefits and are granted by means of a entity/location-wide, non-discretionary regulation, shall not be considered Remuneration.

**“Unconscionable Conduct”** means a serious infringement, which violates common decency or established codes of professional behavior.

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**“Variable Remuneration”** means the portion of Remuneration, the awarding or amount of which is at the Group’s discretion or is dependent on the occurrence of agreed conditions and shall include discretionary contributions to pension Schemes.

**“Blueprint Remuneration Scheme”** means the blueprint of the respective general parameters as applicable from time to time according to which the Variable Remuneration shall be awarded and paid out.

### **3 General rules on Remuneration**

#### **3.1 Consistency with business strategy**

The Remuneration and principles of this Remuneration Policy shall be in line with the business and risk strategy, objectives, values and long-term interests, such as sustainable growth prospects. The definition of performance criteria for the assessment of Remuneration levels and target achievements will be determined in accordance with the business and risk strategy. The level and structure of the Remuneration shall be in accordance with prudent risk management. It shall take into consideration prospective risks as well as existing risks and risk outcomes.

#### **3.2 Remuneration components**

Members of the Executive Board, Risk Taker and other employees shall receive Fixed and Variable Remuneration. The Fixed Remuneration shall be a substantial proportion of the total annual Remuneration. The Variable Remuneration is aligned with the rules of the Policy and is not guaranteed.

The Remuneration shall be designed in a way that incentives for incurring disproportionately high risk positions are avoided. In light of this, there should not be a significant dependency on Variable Remuneration.

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Besides the Remuneration components described above, the members of the Executive Board and other employees receive comprehensive benefits, which have no incentive effect with respect to the assumption of risk positions and are granted by means of an entity/location-wide -wide, non-discretionary regulation.

### **3.3 Appropriateness of Remuneration**

The Remuneration shall be designed appropriately. This means, in particular, that:

- 1) The Remuneration shall not incentivise the assumption of disproportionately high risks.
  - 2) The Remuneration shall be commensurate with the respective tasks and the performance as well as the situation of the Group and the respective entity and shall not exceed the usual Remuneration without cause.
  - 3) Guidelines for Variable Remuneration shall take due account of possible mismatches of performance and risk periods. In particular, payments of Variable Remuneration shall be deferred as appropriate. Variable Remuneration is not guaranteed, i.e. all Variable Remuneration is based on a performance measurement and can be 0.
  - 4) There shall be an appropriate ratio between the Fixed and the Variable Remuneration. The Variable Remuneration may amount up to a maximum of 100% of the Fixed Remuneration. Subject to national regulatory requirements and mandatory information to the regulators, the Variable Remuneration may amount up to a maximum of 200% of the Fixed Remuneration if approved by the shareholders, owners or members of the institution.
  - 5) Guaranteed Variable Remuneration is exceptional and is only allowed in connection with the hiring, is limited to a max. period of one year and subject to appropriate equity and liquid resources as well as sufficient capital in order to ensure its risk-bearing capacity.
  - 6) Payments in connection with the premature termination shall take due account of the performance over time and shall not reward falling short of performance expectations or misconduct in
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accordance with sec. 5 para. 7 InstitutsVergV. There should not be any significant contractual severance entitlements which are not diminished by individual Negative Performance Contributions.

- 7) Payments made as compensation for forfeited Remuneration in previous service and/or employment relationships shall be in line with the long-term interests of the Deutsche Börse Group and its respective companies and take into account individual performance and the deferral requirements stipulated in the respective Remuneration Scheme as applicable from time to time in case the beneficiary is identified as Risk Taker or is a member of the Executive Board.
- 8) The Remuneration of Risk Taker and other employees in Control Units shall be designed with respect to their function. Therefore, the
- a. Remuneration level of Risk Taker and other employees in the Control Units should allow to employ qualified and experienced employees in these functions,
  - b. method of determining the Remuneration of Risk Taker and other employees involved in the Control Units must not compromise their objectivity or be likely to do so,
  - c. mix of Fixed and Variable Remuneration for Risk Taker and other employees in Control Units should be weighted in favour of Fixed Remuneration. Therefore, the Fixed Remuneration shall in any case account for more than 50% of the total Remuneration.

### **3.4 Total Amount of Variable Remuneration**

The Variable Remuneration must not limit the Group's ability to sustainably maintain or recover an appropriate capital base. If the Group's ability to sustainably maintain or recover an appropriate capital base is limited, no Variable Remuneration is to be granted.

The Total Amount of the Variable Remuneration shall be determined in a formal, transparent and comprehensible process. The determination (i) shall take due account of the risk-bearing capacity, the multi-year capital planning and the profitability, (ii) must ensure the Group's ability to maintain or

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recover appropriate own funds and liquidity and (iii) must ensure the Group's ability to meet or recover the combined capital buffer requirements in accordance with the German Banking Act (KWG).

All entities of Clearstream Group shall consider performance and risks assumed to determine the Total Amount.

### **3.5 Individual performance**

In case individual performance is determined, this shall be based on the achievement of a mix of quantitative and qualitative agreed targets, which shall be challenging and ambitious. Targets shall reflect the long-term interests of the Group.

Negative Performance Contributions resulting from unethical behaviour or misconduct shall not be compensated by positive Performance Contributions and must result in a reduction of Variable Remuneration (down to 0).

Performance of members of the Executive Board, Risk Taker and other employees is measured annually, documented and tracked in the respective appraisal systems. The performance assessment is executed by the respective line manager resp. by the Supervisory Board for members of the Executive Board.

### **3.6 Appraisal process**

- 1) The individual performance measurement is ensured through the respective appraisal systems:
  - 2) The appraisal process consists of the following:
    - agreeing on targets at the beginning of each year;
    - assessing target achievement;
    - giving feedback on the target achievement.
  - 3) Objectives of the process are to
    - apply transparent rules;
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- set challenging and ambitious targets with respect to the function;
- link performance to business targets;
- link performance to long-term perspective;
- measure and judge performance in an objective and consistent way;
- clarify task definition and the expectation of accomplishment.

### **3.7 Prohibition of personal hedging strategies**

Members of the Executive Board, Risk Taker and other employees shall not undertake any personal hedging strategies or other countermeasures that confine or neutralize the risk alignment effects of their Remuneration. This shall include, in particular, external hedging transactions creating an obligation of third parties and the conclusion of financial futures transactions, in each case to the extent that such transactions limit or exclude the risk of a lower Remuneration.

The entities shall provide for appropriate compliance structures and measures in order to prevent any hedging strategies. Such measures may include inspections carried out by the competent department with respect to securities accounts and other accounts maintained at the Group as well as at other institutions.

### **3.8 Information**

Members of the Executive Board, Risk Taker and other employees shall be informed about the respective Remuneration system and be provided with the respective Variable Remuneration Scheme (in case of members of the Executive Board and Risk Taker) as applicable from time to time.

### **3.9 Publication**

The disclosure requirements on Remuneration in accordance with Article 450 CRR, e.g. the general design (in particular the parameters, the decision-making process used for determining the Remuneration Policy, information on the link between performance and pay, composition of

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Remuneration, quantitative information on Remuneration, the ratios between Fixed and Variable Remuneration, information on the performance criteria relevant for Variable Remuneration elements, involvement of external consultants and stakeholders, composition and mandate of CRC) shall be published on the internet.

## **4 Rules on Remuneration systems for members of the Executive Board, Risk Taker and employees in charge of a Control Unit**

### **4.1 Risk analysis**

- 1) Clearstream Holding AG shall annually conduct a group-wide risk analysis to identify categories of staff whose professional activities have a material impact on the Group's or major institution's risk profile and to whom the specific requirements set out below apply ("Risk Takers", "members of the Executive Board" and "employees in charge of a Control Unit").
- 2) All institutions subordinated to Clearstream Holding AG shall conduct a risk analysis to identify categories of staff whose professional activities have a material impact on the institution's risk profile and to whom the specific requirements set out below apply according to the respective national regulatory requirements, unless exemptions apply.

### **4.2 Criteria for determining Variable Remuneration**

The Variable Remuneration shall take into account the overall performance of the Clearstream Group, the performance of the areas of responsibility and individual Performance Contributions. The criteria for determining the Variable Remuneration shall be consistent with the objective of long-term sustainable performance. The majority of targets shall be based on a multi-year performance period. Details are stipulated in the respective Blueprint Remuneration Scheme.

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### **4.3 Deferral of Variable Remuneration**

The pay-out schedules shall be sensitive to the time horizon of risks. In particular in case of Variable Remuneration is paid, due account shall be taken of possible mismatches of performance and risk periods and it shall be ensured that payments are deferred as appropriate. During the deferral period the deferred parts of the Variable Remuneration shall vest yearly on a pro rata basis. Prior to vesting, there is only an entitlement to an accurate determination of the respective part of the Variable Remuneration. Details, in particular the pay-out schedule, are stipulated in the respective Blueprint Remuneration Scheme and the Terms and Conditions of Instruments each as applicable from time to time. Exemption limits in accordance with sec. 18 InstitutsVergV may apply.

### **4.4 Malus adjustment**

Negative Performance Contributions shall result in a reduction (down to 0) of deferred parts of the Variable Remuneration. The Variable Remuneration shall be reduced to 0 in particular if a member of the Executive Board or a Risk Taker (i) participated in or was responsible for a conduct that resulted in a significant loss or (ii) did not comply with internal or external provisions on qualification and conduct. A reduction of deferred parts of the Variable Remuneration shall also apply in case of unconscionable conduct and conduct in culpable breach of duty.

The Heads of Human Resources, Internal Audit, Compliance and Risk Management assess potential malus adjustments to ensure cross-comparison and equal treatment of the cases according to the respective Variable Remuneration schemes and the Terms of Reference of the “Malus Meeting”. The respective decision-making body of the entity with the assessed case is responsible for the decision on the Variable Remuneration forfeiture or reduction.

### **4.5 Link with the Group’s long-term performance**

At least 50% of the deferred and non-deferred parts of the Variable Remuneration shall be linked to the Group’s long-term performance. For this purpose the corresponding parts of the Variable

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Remuneration shall be granted in the form of Deutsche Börse AG phantom stocks (Instruments) under the respective Terms and Conditions. Exemptions limits in accordance with sec. 18 InstitutsVergV may apply.